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TRENDS IN ECONOMIC MANAGEMENT IN POLAND



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(ORR Project 41.1723)

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FOREWORD

The purpose of this report is to contribute to an appraisal of the strengths and weaknesses of the Polish economy and of the Gomulka regime, which, as instituted in October 1956 and subsequently developed, is the least subservient to the USSR of the Satellite governments and the most deviationist in its Communist economic doctrines. This report undertakes to relate the major trends in economic management in Poland to the basic economic problems facing the regime. Management, ranking with land, labor, and capital as a basic factor of production, is as essential to the Polish planned economy as it is to a capitalist economy -- indeed, managerial efficiency may be even more important in a planned economy than in a capitalist economy. Achievements of the plan targets and other primary economic goals in Poland will depend largely on the ability of management at all levels to carry through successfully the projected reforms in economic management.

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TRENDS IN ECONOMIC MANAGEMENT IN POLAND*

Summary and Conclusions

The formation in October 1956 and the subsequent evolution of the Polish Communist regime led by Wladyslaw Gomulka, First Secretary of the Communist Party, have presented a sharp challenge to the preeminent position of the Soviet pattern of economic management within the Soviet Bloc. The Gomulka regime thus far has demonstrated to the other countries of the Soviet Bloc and to the outside world that a nation still militarily at the mercy of the USSR can develop its own "road to socialism" in a fairly independent manner. This road has deviated somewhat from the direction set by Moscow of increasingly greater coordination of national planning and production within the Bloc and has therefore complicated the Soviet pattern of economic domination. Perhaps even more significant in the long run is the fact that the new Polish system has begun to veer toward an area of relatively unorthodox Communist economic policies and management, involving some cross-breeding of authoritarian methods with partly free natural economic forces.

When Gomulka returned to power, he severely indicted the policies of economic planning and management of the past several years. These policies, shaped largely by Soviet pressure, had led to serious imbalances in the Polish economy, as, for example, between the privileged heavy industry sectors and the inadequately developed raw materials and consumer goods sectors. The mismanagement of the economy was attributed in considerable measure to the rigidities of the Stalinist type of centralism and to the inadequate encouragement of initiative and incentives at the producing level. Gomulka (and no doubt Moscow as well) recognized that his initial widespread popular support could only be preserved by striking out in a distinctly new direction in order to attempt a gradual improvement of the generally low standard of living and a reduction of the discontent which was manifested in the Poznan riots in June 1956.

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 August 1957.

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Gomulka's initial formula for future efforts, however, was somewhat less far-reaching than his criticism of the past. He rejected the possibility of immediate increases in wages and in production of consumer goods. He did call for some reduction of investments in heavy industry, but he did not suggest any radical readjustment in the pattern of Polish economic development. Living conditions, Gomulka stressed, could be bettered only gradually and only by improving management of industry and agriculture, increasing labor productivity, reducing costs, uncovering reserves, and obtaining foreign assistance. In discussing the reform of management he emphasized the need for long-term research and experimentation toward improving "our model of socialism" -- that is, the pattern for the economic development of Poland along Communist lines.

To facilitate this search for a model, the Gomulka regime created an Economic Council composed of Oskar Lange and other leading economists and technicians. Its work is carried on in various committees and is closely coordinated with that of the Planning Commission and other governmental agencies. The Economic Council is concerned not only with the development of an economic model but also with a continuing critical review of the current economic situation. Its research deals particularly with the relationship of central planning to decentralized operational decision-making and to the transformation of the price and incentives system.

A central theme of the research and the management reforms thus far undertaken by the Gomulka regime is limited decentralization and "democratization" of economic management. The central government continues to be in charge of over-all economic planning, but there has been a considerable delegation of authority to the producing level for short-term planning and operational decision-making. The Sejm (parliament) has assumed a considerably more active role than formerly in discussing and approving the national plan and budget in detail and in exercising some surveillance of plan implementation. The Sejm seems to be developing into more than a facade, and, although generally dominated by the Communists, it has already provided a forum for fairly critical debate. Gomulka may hope that it can inject more flexibility into national planning and that it can also buttress his position within the nation and his relations with the USSR.

At the enterprise level, managerial authority has been somewhat enhanced, but prices and basic goals are still fixed by the central government. There is some limited delegation of authority in a few

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experimental instances. Ultimately there may be greater departure from state control. There has been some "democratization" of management in the form of workers' councils, which have been created in about half of the country's factories. The councils resemble those in Yugoslavia, and, as in that country, the Polish councils have encountered serious difficulties and have had only limited success. They may be more effective in the future, but the regime will probably seek to restrict their role largely to that of stimulating production. In addition to providing a vehicle for popular support, they also may, like the Sejm, constitute a deterrent to excessively rigid and centralized economic management.

Some degree of decentralization and "democratization" is also exemplified in the enlarged role of management in the provincial and local peoples councils in small-scale industry. There has been some reactivation, moreover, of small semiprivate and private enterprises, craftsmen, and traders. This move, however, does not represent a basic retreat from Communism but rather an attempt to stimulate local initiative and to improve distribution in noncritical supply sectors. In agriculture there has been a very extensive retreat from collectivization, which had never been complete in Poland. The regime has made wide concessions to private farmers, but it has not abandoned the principle of state operation or, at least, control.

Gomulka and his colleagues do not appear to believe that orthodox Soviet Communism can solve the economic problems of Poland, and the Polish road to Communism may ultimately deviate very markedly from that of the USSR. But Gomulka remains a Communist and is distrustful of "bourgeois exploiters" and institutions as exemplified by prewar Poland. Poland remains sharply dependent on the USSR, moreover, and on several other members of the Soviet Bloc for trade and aid, which Moscow has accorded in spite of any doubts it may have about Gomulka. The Kremlin realizes that Gomulka is in any case a Communist and that the Poles would not support a leader clearly subservient to the USSR.

Gomulka has been able to minimize Soviet pressure and to display some independence. This achievement, however, has necessitated complex countermeasures not only against the USSR but also against pro-Soviet and conservative factions within his Party. Furthermore, the Polish economic situation continues to be serious, with living conditions not materially improved and with signs of growing labor unrest. The basic dilemma facing the Gomulka regime is that the Polish people, or the USSR, may grant it only a few more months in which to show real

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results, whereas substantial improvement may be attained only after the recently instituted reforms have been in operation for an extended period of time.

I. Inception of the Gomulka Regime.

The formation in October 1956 of the Polish Communist regime headed by Wladyslaw Gomulka, First Secretary of the Polish United Workers' (Communist) Party (Polska Zjednoczona Partia Robotnicza -- PZPR), marks a significant turning point in Polish policies and a sharp challenge to the preeminent position of the Soviet "economic model" or pattern of management. The features of the Gomulka regime which differ from Soviet practices stem from internal pressures developing during several preceding years. Following the de-Stalinization program in the USSR, some economists and other intellectual elements within the PZPR voiced more openly their dissatisfaction with the rigidities of Stalinist economic controls and policies. They stressed that Communism in Poland must be made to operate more effectively so as to overcome basic shortcomings which were provoking serious discontent, especially over the generally low standard of living. This unrest was dramatically displayed in the worker strikes and riots at Poznan in late June 1956.

Ochab and other Politburo leaders tried at that time to rally public opinion behind the regime by announcing at the Seventh Plenum of the PZPR Central Committee in July 1956 some emergency measures such as higher wages for the lower pay brackets and increases in family allowances. However, neither Ochab, the First Secretary of the PZPR, nor Cyrankiewicz, the Premier of Poland, had either sufficient qualities of leadership to obtain widespread support or the necessary determination to oust the diehard Stalinist elements and to institute a broad reform program. The vacillations of the leaders were later attested to in the resolution of the Eighth Plenum in October 1956, which declared that "a major obstacle to the consistent implementation of the decisions of the Seventh Plenum was the lack of unanimity and consistency in the Politburo in solving the concrete problems of Socialist democratization."* 1/**

* This statement was excluded from the text as published in Pravda in Moscow on 28 October 1956.

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As a last resort, Gomulka, who had been expelled from the Central Committee in 1949, was called back in October 1956 and was given the top post in the PZPR as the only strong national symbol available. Ochab and the other veteran leaders evidently hoped that they could get Moscow to accept a considerable revision of Polish policy, but they did not anticipate the alarmed reaction of Khrushchev and perhaps other Soviet leaders to the Gomulka appointment. This reaction, which could have led to military intervention, was forestalled by rapid countermoves by Gomulka, culminating in a quick reorganization of the regime. 2/

In his speech to the Eighth Plenum on 20 October 1956, Gomulka presented a strikingly sharp and detailed criticism of past governmental policies -- a criticism based largely on views expressed earlier by PZPR economists, notably Oskar Lange. Gomulka did not challenge the basic decision in the Six Year Plan (1950-55) to develop heavy industry, nor did he question the statistical claims of substantial progress.* He charged, however, that economic planning and management policies had led to serious disproportions in the economy. He stressed that the investment policy had favored excessively certain sectors of the economy (especially heavy industry) over others (such as housing and consumer goods) and that even in these privileged sectors tremendous financial and other resources were frozen and wasted. He also stated that some plants, such as the Zeran Automotive Plant, were manufacturing outmoded products at disproportionately high cost, that sectors supplying raw materials had not been developed adequately to keep pace with industry, and that labor had been used uneconomically. Gomulka indicated that an inflationary gap was threatened as a result of a disproportionately low output of consumer goods accompanied by an unbalanced rise in worker earnings and that the collectivization drive in agriculture had yielded uneconomic results because the collectives had produced less and at higher costs than the private farms, in spite of the preferential treatment given the collectives in credits, quotas, supplies, wages, and aid by machine tractor stations.

After presenting his detailed criticisms, Gomulka discussed the general lines of approach to be taken by the regime to deal with such problems. In general, he discarded as physically impossible any immediate wage increase or rapid increase in the supply of consumer goods.

* He did condemn some statistical manipulations such as an overstatement of the increase in real wages and the exaggerated claims of gains in productivity in the coal mines.

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He stressed that the raising of living standards depended on two factors, as follows: (1) improving the management of industry and of the whole economy and (2) increasing labor productivity and reducing production costs. Although Gomulka implied that there would be some reduction in investments in the producer goods sector, he did not suggest any radical readjustment in the pattern of investments and economic development. 3/

The general institutional reforms which Gomulka suggested for exploration did not match in extent his outspoken criticism of the past. He did propose greater participation by workers in factory management, but this would be on a limited, experimental basis. He also advocated experimentation in a larger incentive program by such means as above-plan profit sharing (especially in the coal mines). More basically, Gomulka stressed the importance of lowering production costs and of uncovering reserves in existing production resources. An important institutional step to achieve this, he suggested, would be to substitute realistic cost analysis for arbitrary methods as a basis for determining production prices.

Gomulka -- at least by implication -- attributed many of the economic ills of Poland to Soviet domination of Polish economic policies and management. His primary concern seemed to be to eliminate such domination and to make adaptations to meet the Polish situation. He intimated that this might result in some respects in sharp divergencies with Soviet practice. The emphasis, however, was on solving the pressing problems of Poland rather than on differing with the USSR, with which close relations should continue but more on the basis of equals than before.

In mentioning possible changes in economic management, Gomulka stated in general that the question of change involves improving "our model of socialism." He stressed that much experimentation and research would be necessary before the economic machinery could be put upon new tracks.

II. Search for an Economic Model for Poland.

Spokesmen of the Gomulka regime in Poland have stressed that the term "national Communism" is an erroneous image created by the "imperialist" press and leaders in their efforts to weaken the "ideological solidarity" of the international "Communist and working class movement." The "imperialist brain trust" is even viewed as being

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hopeful that a "national Communist movement" may ultimately enter the road to capitalism and loosen its "bonds of friendship" with the USSR. 4/ The term "national Communism," is therefore labeled as false because Communism is held to be the ideology of the international revolutionary movement, which cannot be confined within the framework of one nation. 5/

Although stressing the existence of common traits of the Communist countries, these spokesmen also underline the importance of each country's following its own "specific path to socialism," expressed in "building its own laws and rights, compatible with its traditions and the level of production forces, its own norms of cooperation between the classes, its own economic model, and its own cultural life." 6/

Since Gomulka's speech in late October 1956, much attention has been devoted to working out an economic model for the country. On 1 December 1956 the regime created an Economic Council,* attached to the Council of Ministers, and assigned to it the following missions: (1) improvement of the basic rules of organization and management of the national economy, (2) preparation of economic reports and studies of principles and methods of economic policy, (3) economic research in various branches of the national economy and preparation of systematic reviews of the entire national economy, and (4) initiation of economic research conducted by scientific institutions and research branches of government departments and use of the results of such research. 8/ The Economic Council is composed of a chairman (Oskar Lange, a leading economist**), 6 deputy chairmen (also leading economists, such as Lipinski*** and Bobrowski****), and 29 other prominent economists and

* The idea for such a council was first voiced at the Congress of Polish Economists in June 1956. 7/

** Before World War II, Lange was a professor at the University of Chicago and later Polish Ambassador to the US and delegate to the UN. He returned to Poland in 1947 and was in the upper circles of the PZPR in spite of his earlier membership in the Socialist Party. In early 1956 he published views on economic policy which were later largely adopted by Gomulka after the latter's ascension to Party leadership. Lange is now also chairman of the Sejm Committee for Economic Planning, Budget, and Finance.

*** Lipinski is a professor and chairman of the Association of Polish Economists.

**** Bobrowski was also a Socialist and was a member of the exiled Polish government in London after World War II. He later returned to Warsaw as head of the Planning Commission but was removed in 1948 and went to France, where he stayed until December 1956.

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scientists. 9/ In the selection of the membership the unofficial, broad professional character of the Council was stressed. For example, several ministers were chosen, among them Trampczynski, Minister of Foreign Trade, and Bienkowski, Minister of Education, who were selected not as high officials but as a prominent economics professor and a journalist, respectively. Moreover, several factory directors and leaders of trade unions and cooperatives were appointed. The Council's economists include not only Marxists but also some "closer to other outlooks." 10/

To provide for close coordination between the theoretical research of the Economic Council and the immediate planning of the new Planning Commission, the latter agency (as its membership was defined on 1 January 1957) includes, in addition to the chairman and his deputies, some nonpermanent members such as Lange and other professional specialists also serving in the Economic Council. 11/ The close interrelationship of the two organs and the broad range of concern of the Economic Council are also revealed in the committee structure of the Council and the agenda of its initial discussions. Seven committees were established, as follows: (1) Program with Bobrowski as chairman; (2) Economic Model with Lange as chairman, with three subcommittees for planning, prices, and administration and organization of enterprises; (3) Review of the Economic Situation with Bobrowski as chairman; (4) Industry with Secomski as chairman; (5) Labor and Social Conditions with Lipinski as chairman; (6) Agriculture with Pszczolkowski as chairman; and (7) Internal Trade with Horowitz as chairman. 12/

In its initial session on 9 February 1957 the Economic Council decided that it would meet monthly, that its current work was to be performed by the committees, and that some special sessions of the Council were to be held in various parts of the country. The Council not only will act as a central forum and advisory body but also will set up a network of regional research centers. Although examining a broad range of problems, the Council will focus its attention primarily on two general subjects: a critical review of the current economic situation of Poland and the development of a long-term economic model for the country. 13/

At the second plenary session of the Economic Council on 26 March 1957 it was stated that the evolution of the economic model would be a continuing job for several years. 14/ Lange had earlier pointed out that an economic model corresponding to specific Polish conditions

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and needs could not be imposed from above and must be developed slowly. 15/ Lipinski, a deputy chairman, cautioned the Poles that no exaggerated hopes should be built up that the Economic Council would have a great influence on the formation of the new economic model and the solution of the economic problems of Poland. The Council, he warned, cannot be a factory to produce prescriptions but rather can provide a place for a group of experts to form theoretical concepts to be used along with other factors as a basis for policy. 16/

Among the most important problems in constructing the economic model are the following: (1) the relationship of central planning to decentralized operational decision-making, (2) the transformation of the price and incentives system, and (3) the proper rate and proportional development of individual branches of the economy. 17/ These matters are closely interrelated. The first two are usually discussed under the general heading of decentralization of economic management.

III. Economic Management Reforms of the Gomulka Regime.

Gomulka and other Polish leaders and economists in their discussion of the economic problems of Poland since mid-1956 have stressed two basic, interrelated criticisms of economic management: excessive centralization and insufficient incentives at the producing level. Through much of this discussion runs the theme of diminishing the use of central compulsion and relying, at least to a limited extent, on the natural interaction of economic forces. The charge of excessive centralization refers both to central planning and to administrative implementation of the over-all plans. Steps taken in the early months of the Gomulka regime relate to both general spheres.

A. Functional Decentralization at the Top Levels of Economic Management.

An important step in the field of planning was the abolition on 15 November 1956 of the State Economic Planning Commission and its replacement by a Planning Commission attached directly to the Council of Ministers. The new Commission is limited to central economic planning and has a staff of only 900 to 1,000 employees in 29 departments compared with 1,700 employees in 40 departments in the predecessor agency. The scope of central planning was changed, with an unspecified reduction in the number of plan indexes. Moreover, the new agency does not have the power, held by the former Commission,

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to supervise plan fulfillment by issuing binding directives to the ministries and by arbitrating interdepartmental disputes. 18/

In explaining this change, spokesmen stressed that problems of central economic planning must be separated from problems of plan administration. The central planning apparatus should carry on economic research and analysis and work out the plans as a basis for rational economic management. 19/ The central policy organs -- the Planning Commission and the Council of Ministers -- should make decisions to insure a balance in economic management in the current period and in the future. These decisions relate specifically to the division of national income; the size of investments; the size of the over-all wage fund; the general level of market prices; taxes; and the general direction of the development of production, foreign trade, investments, and wage policy. 20/

Excessively detailed central planning had been criticized, and some streamlining had been carried out in mid-1955. 21/ The change in late 1956, however, was more far-reaching because it not only involved a further reduction in the detail of central planning but also set in motion a gradual and partial decentralization of the administration of the national plan.

The reorganization of the Council of Ministers and the central ministries, begun in late October 1956, was a basic step in this direction. At the supraministerial level the posts of the 2 first deputy premiers were eliminated, and the number of deputy premiers was reduced from 7 to 3. It was also announced that the staff of the Office of the Council of Ministers was to be reduced. 22/

In late February 1957, Premier Cyrankiewicz acknowledged that a current major difficulty in ministerial operations and production management was inadequate ministerial cooperation in the supplying of materials to enterprises, which was caused partly by the narrowly specialized outlook of ministries. As a move to overcome this, he announced four ministerial mergers in basic sectors: the Ministry of Metallurgy with that of Machine Building; Construction with Construction Materials; Railroads with Road and Air Transport; and a new Ministry of Mining, Fuel, and Electric Power, consolidating the Ministries of Mining and Electric Power and the Central Administration of Petroleum. 23/ Each proposed merger is evidently designed to achieve closer coordination of investment planning and supply on the part of closely related industrial raw material and consuming

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industries. Cyrankiewicz declared that over-all coordination will thus become a function of the ministers themselves rather than of deputy premiers.

Since the mergers, claims of sizable staff reductions, savings, and gains in efficiency have been made by the ministers. 24/ An important feature of these changes (made not only in the merged ministries but also in others) is the transfer of some authority for short-term planning and operational decision-making to the enterprises from the ministerial central boards,* which serve as the immediate link with the enterprises. The boards, in turn, have been streamlined and reduced in size. 25/ The Minister of the Chemical Industry stated that "our principal aim is to arrange administrative links so as to hamper as little as possible the work of our basic units -- the production enterprises." Disputed problems are to be considered jointly by the central boards and the enterprises. 26/

B. "Democratization" of Economic Management.

Gomulka declared to the Polish people in his speech of 20 October 1956 that "the road of democratization is the only road leading to the construction of the best model of socialism in our conditions." 27/ He stressed that the elevation of the role of the Sejm to that of the supreme organ of state power would probably be of the greatest importance in the "democratization" program. Gomulka and other leaders undoubtedly recognized that a more active Sejm could best symbolize popular support for his regime and that a limited enhancement of its functions, especially as a debating chamber, could buttress his regime not only internally but also in its relations with the USSR.

Polish spokesmen have emphasized the Sejm's long historical tradition, traceable indirectly back to 1493. 28/ The unicameral Sejm which was created in 1952 functioned generally, however, like other Soviet Bloc legislatures, largely as a rubber stamp, meeting usually twice a year for brief sessions. 29/

An integral part of the Gomulka program of "democratization" was a limited electoral reform allowing the voters, in electing the new Sejm in January 1957, to select from among a "National Front"

* These are similar to the main administrations within the ministries in the USSR.

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list composed primarily of the PZPR, the United Peasants' Party (ZSL), and the Social Democratic Party (SD). The newly elected Sejm is composed of 51 percent PZPR members, 26 percent ZSL, 8 percent SD, and the remainder Catholic and unaffiliated. 30/ Although the PZPR members have dominated the discussions, others have participated. Although they represent puppet parties, the discussions by members of the other parties and by some PZPR delegates have sometimes been quite vigorous and critical. 31/

Discussion in the Sejm during April and May centered on many facets of the national economic plan and budget for 1957 and was especially active at the meetings of the 19 permanent committees on governmental operation. 32/ Many criticisms and proposals were made concerning planning and industrial management, and a resolution was presented that future annual plans and budget bills should be submitted to the Sejm in the preceding autumn. 33/ The Sejm is expected to devote 2 or 3 weeks to discussion of the draft Five Year Plan in late May and June 1957. 34/ If this more detailed scrutiny of national planning is maintained, it may be used as a means of seeking to preserve popular support and as a possible source of constructive suggestions for making the plans more flexible and for improving the economic situation. Only the latter can ultimately maintain popular backing for the regime.

The innovations in the operation of the Sejm include, in addition to the enlarged role of committees and greater discussion, the re-creation of "party clubs" (which had existed before the Communist regime), including one for Catholic deputies. 35/ These clubs might make individual deputies more responsive to party policies. Another innovation is the planned abolition of the Ministry of State Control and its replacement by the Supreme Control Chamber, which had existed until 1952. The latter is now subordinate to the Sejm, which may thus have greater means for surveillance of economic management. The new Supreme Control Chamber will have a wider function than its pre-war and postwar predecessors, whose control over plan and budget implementation was rather nominal. The new Chamber presumably will be strengthened by its association with the Sejm and its committees, which will bring the Chamber in touch with the institutions of civic control such as social organizations, the press, and the workers' councils. The Chamber in turn will aid the Sejm in following up the latter's decisions concerning the plan and the budget. The Chamber will also be concerned with uncovering production reserves and with efforts to obtain more efficiency and economy in the state apparatus. 36/

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Gomulka may have revitalized the Sejm not only for the reasons already noted but also to avoid having to rely wholly on the PZPR and its apparatus. His over-all strength seems to be based more on his national popularity than on his authority within the PZPR. The PZPR is fairly well established in its Warsaw, Poznan, and Krakow provincial organizations and in parts of the Western Territories but not generally elsewhere. 37/ Gomulka's problem of Party control stems partly from the necessity of maintaining a delicate balance between the main factions in the Party -- the "conservative" Stalinists, the "moderates" (closest to Gomulka), and the extremists who favor more liberalization. Another aspect of the problem of control arises from the decision, made shortly after the establishment of the Gomulka regime, to curtail the detailed administrative control functions of the PZPR and to transfer such activities largely to the ministries and their subordinate organizations for reasons of administrative economy and efficiency. Although the over-all policymaking and surveillance role of the PZPR was maintained, the curtailment of its activities produced considerable disgruntlement among Party bureaucrats,* especially at the grass-roots level, where the "conservatives" (or Natolinists) appear to have considerable support. 39/

By late April 1957, however, the Gomulka regime evidently decided to halt this diminution of the direct role of the PZPR in economic management. The PZPR required each of its members to enter an appropriate Party unit, whether in an enterprise or other economic organization, so as to establish closer contact with the non-Party public. 40/ The problem remains for Gomulka to develop loyal cadres throughout the PZPR apparatus. Moreover, as Gomulka stressed in his opening speech to the meeting of the PZPR Central Committee on 15 May 1957, Party unity is vital because the Party itself is "the most important instrument to solve Poland's problems and ... must have a very strong position in the nation." He condemned factionalism, whether in the form of "revisionism" or "dogmatism and conservatism." 41/ "Revisionism," he declared, "sows disbelief in the correctness of the Party policy" and seeks "the return of bygone things" (presumably quasi-bourgeois institutions tending to depart from Communism). "Conservatism," he charged, "errs less in ideological indiscipline than in its inability to work in new ways" (presumably reforms of the traditional Communist economic institutions and methods).

* As of late March 1957 the PZPR allegedly had released up to 40 percent of its paid employees. 38/ The total of such members is not known.

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C. Increased Authority and "Democratization" of Enterprise Management.

"Democratization" and limited decentralization are also being emphasized at the lower level of enterprise management in Poland. One aspect of this trend is the gradual introduction into enterprises of workers' councils* somewhat similar to the Yugoslav pattern. The movement for greater worker participation in enterprise management, perhaps traceable initially to the Poznan riots in late June 1956, began in September of that year in the Zeran Automotive Plant** and soon spread to other plants. The workers' spokesmen expressed interest in the Yugoslav system and called for a greater share in factory planning, management, and profits.

At first the government leaders reacted coolly, although some Communist intellectuals and journalists supported the movement. The advent of the Gomulka regime, however, brought a sharp change. Exchange visits of Yugoslav and Polish workers were begun, and a special Party and government commission was set up to prepare draft resolutions for the Council of Ministers on the two interrelated subjects of the expansion of the managerial authority of enterprises and the elaboration of principles to govern the appointment, organization, and activities of workers' councils. The commission was to help in the implementation of many experiments which were proposed by workers and factory managements and were related not only to the creation of workers' councils but also to efforts to solve supply and production problems. ^{44/} The commission produced two provisional resolutions which were adopted by the Council of Ministers at the end of October 1956.

The first resolution, concerning wider powers for enterprises, reportedly prescribes the principles for enterprise organization, planning, and financial administration in such a way as to make possible real economic activity by the workers' councils. The resolution proposed "considerable independence" for enterprises in planning as

* Factory committees, including workers' representatives, had existed since 1945, but they resembled those in the USSR and met only monthly to advise the management on means to increase productivity. They participated only nominally in production planning and were not at all like the Yugoslav type or the currently emerging workers' councils in Poland. ^{42/}

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well as the authority to draft and endorse detailed technical, economic, and financial plans on the basis of centrally planned annual tasks. Enterprises would be able to make their own decisions on design and technology and would fix prices for products and services, in agreement with customers, insofar as this did not come within the province of higher bodies.* A number of powers in the sphere of capital outlay and repair would be transferred to the enterprises, and considerably wider powers would be conferred with regard to employment, pay, and financial matters.

The second, related resolution on workers' councils set forth in great detail a charter to govern the structure and functions of the future councils. On 19 November the Sejm adopted this charter, which is summarized as follows 45/:

1. Appointment of workers' councils in state industrial and building enterprises and farms to be at the proposal of a majority of workers in the enterprise.

2. The council to have from 5 to 120 members depending on size and conditions of the enterprise, with about two-thirds to come from the basic production sections. In enterprises with less than 50 employees, all may participate in the council. The council to be elected by universal, secret ballot for a term of 2 years and all of the council or individual members of it to be subject to recall by a general meeting of the workers.

3. The chairman of the council and his deputy to be elected by the council. A presidium (number unspecified) to be chosen by the council as its executive organ for a term of 2 years. The new presidium to include no more than one-half of the members of the outgoing one, and no member to serve more than two terms.

4. The enterprise director to be an ex officio member of both the council and its presidium but not to serve as chairman or deputy chairman.

5. The council to meet at least twice in a quarter and to be called in special session by demand of one-third of the council

* This qualification, however, is apparently quite restrictive. See E, p. 22, below, for a brief survey of the discussion by Polish economists of possible changes in the system of production pricing.

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members or by the presidium or enterprise director. The presidium to meet at least monthly or more often on demand of any member. Any worker may be present at any council session. The council to be responsible to enterprise workers, to whom the council is to report at a general session. The council to have power to convene a special meeting of all workers to conduct a referendum.

6. Decisions of the council and the presidium to be made by a simple majority of at least one-half of the total membership.

7. The enterprise director to be appointed and recalled by the appropriate state organ at the agreement of the council.

8. Authority of the council to include the following: acceptance of the annual enterprise plan within the framework of indexes contained in the national economic plan; acceptance of the organizational structure of the enterprise; acceptance of the technical development plan; acceptance of the investment plan within the framework of the available limit; assessment of the economic activity of the enterprise and the analysis and acceptance of balance sheets; decision on the distribution of the factory fund and of the part of the profits assigned to the enterprise; establishment of a system of work norms, wage tariffs, and bonuses to be paid within the framework of the prerogatives of the enterprise.

9. Authority of the presidium to include the following: adoption of operative plans of the enterprise; decision on basic matters concerning improvement of production and work conditions and increase of productivity; decision on actions to increase work discipline; decision, at the director's suggestion, on appointment of workers to leading posts in the enterprise; checking and decision on the use of enterprise equipment; decision, at the director's suggestion, on the sale of superfluous installations; examination of workers' proposals, complaints, and grievances.

10. Authority of the enterprise director to include the following: organization of production procedure and guiding execution of the plan and activity of the enterprise, based on legal regulations and on resolutions of the council and the presidium and on recommendations of the superior body (central board or ministry); implementation of the laws and instructions of supervising agencies; conclusion of supply and sales contracts; decision on personnel matters; suspension of the execution of a resolution of the council or the presidium if

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he considers it inconsistent with the law or the enterprise plan, such suspension to be reported immediately to the supervisory agency; in case of disagreement between the director and the council, each side to have the right of appeal to the appropriate minister.

In a number of respects the foregoing provisions closely resemble the Yugoslav pattern. The Yugoslav council ranges in size from 15 to 120 members and incorporates a management board, which, however, has a term of office of only 1 year, thus permitting less continuity and accumulation of experience. The formal role of the enterprise director, his relationship to the council and inner group, and the official distribution of powers are quite similar in both countries. In Poland, there is perhaps more emphasis on the director's right to organize production "independently" (literally, "in one person"). Moreover, the reiterated power of "acceptance" to be granted to the councils in Poland does not necessarily imply advance consultation.*

In early November 1956 the special commission to implement the resolution called for preliminary organizing efforts, with wide participation by workers. The question of enlarging the authority of enterprises was to be handled separately through proposals for specific executive orders which were to be worked out by all economic ministries and the Planning Commission. The special commission also suggested the submission to the Sejm of a draft law on the participation of workers in the distribution of profits of their enterprises.** 48/

* Even in Yugoslavia, however, the director apparently has usually been able to retain a strong position in management, resulting largely from support accorded by state and communal organs and by the Party cell. 46/ Workers' councils, however, have exercised some power, even to the extent of bringing about the dismissal of unpopular directors. Moreover, in some instances the council has voted to distribute all or most of the "surplus" profits as extra wages, in spite of the desire of governmental authorities to have the money applied to capital investment or to another purpose.

** Details were not revealed. It has been suggested that planned profits might be distributed as follows: 70 percent to the state, 20 percent to the wages fund, and the remainder to the works fund (like the Soviet director's fund). Of the profits on above-plan output, 50 percent would go to the state, 40 percent to wages, and 10 percent to the works fund. An editorial in Trybuna Ludu pictured the three pillars of the "new model of a [footnote continued on p. 18]

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Jaroszewicz, the head of the special commission (and also Deputy Chairman of the Council of Ministers) cautioned, however, against "any kind of bureaucratic pressure in setting up workers' councils and ... superfluous zeal in imposing councils where there is no desire for them." 49/

On 30 November 1956, Cyrankiewicz issued a circular concerning the formation of consultative centers at the various ministries to assist enterprises in setting up workers' councils and in implementing the resolution on enlarging the authority of enterprises. 50/ In Warsaw, councils had been elected in 30 of the larger factories by the end of December. Some claimed "certain early successes," but the work of many others was "not going well." Alleged causes were insufficient help of economic experts and Party organizations and the lack of ministerial action to implement the decrees of the Council of Ministers. 51/ Jaroszewicz indicated in early December that the engineering industry was the leading sector for experimentation in councils, which had been formed in 35 enterprises, with organizing efforts going on in 78 others. 52/ The movement is also prominent in coal mining enterprises, where the councils should play "a decisive role." 53/

This key industry, as Gomulka stated, accounted for 46.6 percent of the total value of Polish exports in 1955 but in the following year missed its export goal by over 5 million tons, partly because of higher domestic requirements for heating and industry and partly because of production difficulties. 54/ An important cause of the latter was high labor turnover and poor discipline. In stressing turnover, Gomulka revealed that 53 percent of the new recruits left work after a short time in the mines. He recognized that low pay was one of the important factors but added that sizable wage increases could come only through increased production and reduction of other costs.

He emphasized that workers' "self-government boards" should play an important role in overcoming poor labor discipline, especially exemplified in absenteeism and in physical beatings and other mistreatment by supervisors. It is evidently hoped that workers' councils, through their participation in the selection of managerial personnel, will bring more prestige to the supervisors and will introduce more labor discipline.

socialist enterprise" as the autonomy of enterprises, workers' self-government, and new and better material incentives, "increasing the interest of the personnel in the economic results of the work of enterprises." 47/

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In a more general sense the regime hopes that the councils will contribute to increasing productivity. Jaroszewicz declared that newly formed councils had begun "some very fruitful work aiming at improving production and raising profitability."* Some skeptics, however, although conceding that the councils may help to eliminate fraud and waste in factories, contend that they will not be able to introduce any basic changes and make the plants more profitable. According to this view the council idea is frequently a smokescreen designed to hide economic failures. 56/

At a conference in late January 1957 of Party and government leaders and of representatives of workers' councils and enterprise management, it was stated that councils are already active in many factories and mines,** but that there are "many bureaucratic obstacles hampering [their] work and development." The conference decided to draft a number of recommendations "aimed at providing political and organizational help for workers' councils and at speeding up the implementation of the decisions in regard to wider powers for state enterprises." 59/

The unspecified "bureaucratic obstacles" probably include conservatism, lack of understanding, and passive resistance of managerial personnel both in the ministries and the enterprises. 60/ In late January 1957 the charge was made that in many ministries the legal and organizational documents had not been put into effect. 61/ At a Party economic conference on 11 February this problem of restrictions by the central boards and ministries was discussed, and a coordinating committee, including representatives of nearly 20 large Warsaw factories, was created to exchange experience and arrange for a Warsaw conference of representatives of the Party Central Committee, central boards and ministries, and factories. 62/ This problem was still unsolved in late April. 63/

* For instance, the council at the Wroclaw Metallurgical Plant has created an economic council to cooperate with the Industrial Economics Chair at the Wroclaw School of Economics. As a result, a number of changes in the production range have been introduced. The workers' council at the cotton mills in Bielawa, Wroclaw Province, was seeking to improve export organization by eliminating the numerous intermediate stages and establishing contacts with foreign customers. 55/

** By the end of the first quarter of 1957, councils existed in 80 percent of the enterprises of key industries in Warsaw 57/ and in about 50 percent of all industrial establishments. 58/

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Another basic problem is the need for training council members to participate effectively in managerial matters. The problem involves not only ignorance but also misuse of council meetings, which in some instances reportedly have been devoted primarily to settling personal grievances. 64/

Moreover, the workers may not necessarily feel that the councils are functioning in their interest. For example, employees in the Zeran Automotive Plant reportedly in early February 1957 expressed reservations over norm and wage scales developed by the new workers' council, and "certain workers proved troublesome" at a meeting intended to clear the air. 65/

Although some councils may not win full worker confidence and constructive support, others may tend to exercise some of their powers in a manner not desired by the central government. In some instances this seems to be done with the concurrence, or even collaboration, of the plant management. Although there were "a number of examples" in early 1957 in which the management and workers' councils of factories exercised very carefully their new prerogative of working out the monthly and quarterly plans for production and wages (within the general framework of approved annual targets), production norms were set too low, resulting in excessive bonuses and a general slackening of "wage discipline."* 67/

Although wage discipline had been "considerably shaken" in 1956, 68/ in early 1957 the difficulty seemed to be intensified. This problem, which has been troublesome during more than 6 years of operation of workers' councils in Yugoslavia, is serious for the Polish regime in several respects. First, it may lead to a curtailment of the recently expanded authority of enterprise management and workers' councils and therefore curb enthusiasm for the movement. Second, although the production goals for the first quarter of 1957 were generally met (and in some cases even overfulfilled), the leaders concede that the targets were set too low in many industries. 69/ Modest targets were sometimes deliberately prescribed

* Ironically, the central boards of the ministries have been criticized by the Minister of Finance for permitting more decentralization than intended by the government. He said that, as a result of the resolution of the Council of Ministers which extended the rights of enterprises, the boards incorrectly decided that they no longer could supervise wage discipline in their enterprises. 66/

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so as to facilitate difficult adjustments in some economic sectors. The regime, however, expected a greater degree of overfulfillment than was accomplished. 70/ Moreover, it wished "planned rather than spontaneous wage increases." 71/ The tendency for wage increases to exceed production increases* (when added to growth in rural income) threatens the delicate balance between the purchasing power of the population and the volume of available goods and services.

D. Suggested Vertical Hierarchy of Workers' Councils.

In discussions about a new economic model for Poland the possibility is envisaged of developing a vertical hierarchy of workers' councils which would help to evolve a "democratized" socialist economy. 73/ According to this view, "democratic centralism" implies, among other things, the subordination of the various layers of the administrative apparatus to counterpart organs of workers' representatives.** The workers' councils at the enterprise level would thus elect higher level bodies, perhaps corresponding to the central boards of ministries or to the ministries themselves. These workers' organs would in turn select a workers' sejm, but its members would be subject to recall by the lower level at any time. Advocates of such a vertical structure of parallel workers' and state organs have not clearly differentiated the respective functions of the two at each level. They seem to assume that there would be a close liaison between the two and that the workers' organ would acquire a more active role in decision making. At the top level the workers' agency might constitute a second chamber somewhat like the producers' council in Yugoslavia, although the latter is criticized as having a limited role, frequently only advisory.

Although the formation of such a system in Poland does not seem probable, the nature of the detailed discussion is significant.

* In the first quarter of 1957 the level of production was 10 percent higher than in the corresponding period in 1956, whereas the wage fund was 25 percent higher in January and 27 percent higher in February. 72/

** This view is somewhat reminiscent of that expressed in 1946 by Lange that all centers of economic management should be (1) strictly separated from the administrative-political apparatus and (2) organized on the basis of democratic self-government from below. 74/

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In particular, one reason given for advancing such a vertical structure is the recognition that workers' councils at the enterprise level might develop particularistic and centrifugal tendencies, which, according to advocates of the vertical structure, could be curbed more effectively by higher workers' organs than by state organs.

Gomulka, however, in his speech to the recent Ninth Plenum of the PZPR, rejected such a hierarchical structure of workers' councils as "unreal." He said that "ideologically alien elements" had entered some councils and that recent strikes had been partly caused by "trouble-making elements" associated with councils. He stated that councils require some guidance from external authorities such as the ministerial boards and the vertical trade union organization. The latter, however, has been discredited in the past as being a mere arm of the Party and state rather than a genuine agent of workers. ^{75/} Although Gomulka added that the councils' "autonomous character" is to be maintained, this emphasis on greater external control, if continued, may sharply restrict their development and prestige. Their eventual role may be considerably less than that of the Yugoslav councils.

E. Possible Changes in the System of Production Pricing.

In the discussions about the future economic model for Poland, much attention has been devoted to the general concept that in order to increase efficiency and initiative at the enterprise level it is necessary to shift to "an economy based on the exploitation of economic incentives." An essential element in such a shift is a reform of the price system. ^{76/} The system of pricing should be sufficiently flexible and realistic to permit the proper emphasis on profitability of the enterprise. This would stimulate the material interest of workers and enterprise management, who would share in the profits. Moreover, it would make possible a more accurate evaluation of the success of the enterprise than quantitative plan fulfillment has provided.

In recent years, Polish economic planning has tended to operate with a set of prices which did not adequately reflect current costs. ^{77/} For some products, such as coal, no effort was made to adjust the "internal" price to actual costs; a low price was used in figuring sales to consuming industries, and a higher "accounting price" was used by the producer to compute the "profitability" of

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the enterprise. 78/ In the absence of realistic costs, enterprises in many instances did not adhere strictly to their planned product assortments but tended to produce the more profitable items. 79/

The architects of the new economic model stress the importance of basing prices on realistic costs, but they generally advocate the retention of price fixing in the hands of the state -- that is, central or provincial authorities -- depending on the importance of the product. The price of basic items, such as coal or iron, cannot, they declare, be settled by the operation of the market. 80/ Only in exceptional cases, in small-scale socialized or private industry, in which a large number of enterprises are effectively competing, can prices be formed freely on the market. Even here, some control is necessary. Prices of farm products would be fixed partly by the state and cooperative trade organizations and partly on the free market. 81/

Another reason advanced for retention of price fixing by the state is to avoid the situation (actually experienced to some extent in Yugoslavia) in which an enterprise in a noncompetitive environment monopolistically exploits a local market and raises prices excessively. 82/

With regard to the allocation role of the central government, there has been rather widespread opposition to the "administrative" allocation of materials. According to this view, insufficient supplies of any material should be equated with demand by raising prices. A leading member of the Economic Council, however, rejects this as unworkable in an economy such as Poland's in which there are fixed national priorities, narrow bottlenecks, and acute shortages. 83/

The government in early 1957 undertook to establish new prices based closely on production costs plus a small paper "profit." In some cases the revisions may be upward, where raw materials, fuel, machinery, and equipment had been produced and sold below costs. 84/ At the same time, the government is permitting limited "economic experiments" in a few important industrial plants on the approval of the appropriate minister, the Economic Council, and the premier. In the sphere of pricing, for example, some factories have been authorized to settle prices with their purchasers for items turned out in small-series production. 85/

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F. Decentralization in Small-Scale Industry and Trading.

Associated with the program of experimental and limited decentralization in the planning and management of industrial production in Poland is the granting of greater authority to the territorial administrative subdivisions -- the 4,000 peoples councils -- at the provincial, county, and village levels. In order to facilitate the establishment of political and economic control of the country, the local government organs had been abolished in 1950 and replaced by the peoples councils, which functioned strictly as agents of the central government. In 1956 and especially since the inception of the Gomulka regime, direct control over the management of small-scale local industry such as food processing, brick kilns, quarries, local transport, and retail trade was largely transferred from the central ministries and boards to the peoples councils. ^{86/} The councils are supported partly by grants from the central budget,* but they also are authorized to draw up their own budgets, based on local tax revenues now placed under their control. ^{88/}

The decentralization, however, is far from complete. The peoples councils must carry out the broad economic tasks and investment policy prescribed in the national plan. They may alter their planned investments but only if the changes do not require additional funds or resources. The decentralization seems to be designed primarily to stimulate local initiative and resourcefulness and to reduce the problem of the central government in directing an intricate and heterogeneous range of small-scale production and distribution. With regard to distribution, the local factories and producers' cooperatives have been empowered to sell directly to retail outlets and the public. ^{89/}

Perhaps the most publicized reform in this sphere is the reactivation of small private enterprises, craftsmen, and traders, especially in operations where they can contribute to consumer goods supply without requiring raw materials needed by state and cooperative industry. Some of them, especially in the field of building materials, are jointly state and private. A portion of their production is supplied by a central ministry, which purchases the product at state industry prices. The remainder of the output is sold

* The share of the total state budget assigned to the peoples councils is to increase from 16.3 percent in 1956 to 22.8 percent in 1957. ^{87/}

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directly to private consumers, who provide the raw materials. 90/
An initial semiprivate foreign trade enterprise was created in May 1957 with 51 percent state ownership. 91/

A considerable number of privately owned garages, workshops, bakeries, grocery stores, clothing stores, and others have opened up in Warsaw and other cities. Many of them, however, have encountered severe supply difficulties, and considerable speculative buying and selling has developed,* resulting in sharp governmental criticism and investigations. 93/

G. Reforms in Agricultural Management.

In the field of agriculture in Poland the Gomulka leadership has altered radically the previous management policies. The new regime apparently has decided that the major problem of increasing the production and improving the distribution of foodstuffs can be successfully met only by raising the peasants' incentive. Management changes to accomplish this objective have involved thus far a considerable amount of decontrol and decentralization.

When Gomulka inaugurated his regime, he conceded that the socialized sector, which had taken over about one-fifth of the arable land of Poland, was seriously inefficient by comparison with the private sector. He suggested that the members of those collectives "with poor chances for development" might examine the question of their dissolution,** and he declared that the joining of collectives is voluntary. By May 1957, approximately four-fifths of the collectives had been dissolved, largely at the initiative of the peasants. 95/

The state farms, which comprised somewhat over half of the socialist sector, were not immediately reduced, but by mid-March 1957 it was disclosed that the policy of the Ministry of Agriculture toward such farms had changed profoundly. A "thorough analysis" had revealed that only about 20 percent of them were "fully capable of conducting

* This problem, however, is far from new. Similar criticisms were voiced in 1947. 92/

** Ironically, Gomulka's advice about dissolving the inefficient collectives while retaining the better ones has not been wholly observed. The chairman of the National Collective Farm Council has charged that "in the chaos and disorientation which have arisen recently, even collective farms considered as good ... are breaking down." 94/

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their business profitably." The remaining four-fifths consisted of two groups: (1) those farms which could be made more profitable by investment in better living quarters and other amenities and (2) those which should be abolished, with a transfer of their land to cooperatives or to private farmers. The proportional relationship of the two groups was not indicated. 96/

The Gomulka regime continues to uphold collectivization and may ultimately foster some regrowth. At present, however, it is tending to place more emphasis on promoting the more traditional forms of cooperation and association among private farmers, especially by means of "agricultural circles," which appear to be self-governing groups which can undertake a wide variety of activities. 97/ The government probably hopes that such free forms of collectivization will stimulate the cooperative movement, which eventually could be transmuted into the Communist form. The stimulating of more democratic forms of this type, however, might ultimately lead to a wider and more organized non-Communist movement among the peasants.

The government will continue to commend and support the more efficient Communist collectives, but it will probably defer the recreation of many collectives and the granting of investments to them until such investments are considered to be sound on the basis of technically transformed agricultural practices.

Another basic change, designed to stimulate the peasants' incentive and long-run confidence in the government, has been a series of laws -- some passed and others projected -- to permit peasant ownership of land. Having acquired a greater stake in their farms, such peasants have applied for more extensive credit to improve their farms. The 1957 Plan projects a 13-percent increase above the level of 1956 for investment outlays for agriculture, with private farmers to receive one-sixth of the total allocation of 6 billion zlotys. 98/ A continuing problem facing the government is to insure that the peasants apply such credit to improving their land and equipment as well as their housing.

The greater emphasis on private agriculture, generally in comparatively small farms, causes the government a number of management problems. It may, for example, have to modify the pattern of required farm machinery as between large and small equipment, with a somewhat increased output of the latter. Moreover, in order to devote more attention to the private sector, with its many individual

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units, the government has decided to decentralize its guidance and control functions. The Ministry of Agriculture has sharply reduced its staff, as have the provincial agricultural administrations. Many of the specialists are being moved out to the local governmental organizations. 99/

There has also been considerable decontrol and decentralization in the operation of farm machinery. Individual and collective farmers may now buy all types of machinery and may thus come to depend less on the state machine centers, which had provided service on a contractual basis. The latter may ultimately concentrate largely on repair services.

In the area of production and distribution of agricultural output, there has also been considerable decontrol. Compulsory delivery quotas have been markedly reduced, and the peasants are permitted to market a greater proportion of their crops in the free market. At the same time, the government has undertaken to build up sizable reserves of grain and other staples.

IV. Economic Management Reforms and Relations with the Soviet Bloc.

The economic management reforms of the Gomulka regime in Poland have not been in effect long enough to permit a general assessment of their probable effectiveness or their impact on Polish relations with the USSR and with the Soviet Bloc. Some of the reforms may be listed as distinct divergencies from the Soviet model and others as similar to trends in the USSR or at least as policies which would be condoned or approved by orthodox Moscow Communists.

The similarities to trends in the USSR include such changes as simplification of central economic planning; functional decentralization from the top level of management to the production level; simplification of the central ministries (although not as far-reaching as in the USSR, whose very size justifies more regional decentralization); and decentralization of small-scale industry.

The divergencies include the expanded role of the Sejm in the review of economic plans and their implementation, the abolition of the Ministry of State Control and its replacement by an agency under the Sejm's direction, and the creation of workers' councils. These steps do not represent a departure from orthodox Communism as such, but they do suggest some "democratization," which potentially

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could lead to considerable liberalization and perhaps even weakening of authoritarian Communism. Criticism may be encouraged at various management levels, which ultimately might extend further than anticipated or desired by the leadership.

In the field of economic doctrine, new research and beginning steps have been undertaken in such areas as production pricing. This may lead to a significant modification of traditional Communist economic controls and a partial resort to the interaction of natural economic forces. If permitted to go far, this trend could present a sharp challenge to Communist institutional practices. On a small scale, there has been some limited departure from Communism in the trading and handicraft sector, but this does not represent a fundamental shift.

The reforms in economic management policy and structure, as indicated previously, have as a primary objective the improvement of the materials situation in producer and consumer industry. This situation, however, can improve only slowly by such internal means as a drive for greater efficiency, increased authority at the producing level, and more emphasis on cost considerations and the uncovering of resources. In its discussion of economic problems the resolution of the Ninth Plenum of the Central Committee of the PZPR on 21 May 1957 conceded that "the limit of our possibilities to counterbalance the increased income of the population by an adequate volume of goods and services has now been reached, as proved by the manifestations of speculation, the rise of certain prices, and the difficulties encountered in satisfying the demand for butter and some other articles."* The resolution concluded that "the most important task of the economic policy ... is to secure market equilibrium and prevent an increase in the cost of living." To do this, it is necessary to utilize all internal possibilities for increasing output and also to execute the import program by implementing the export tasks. 101/

In the area of foreign trade, Poland is still basically dependent on the Soviet Bloc. After Poland was brought into the Soviet orbit, one of the main consequences of Soviet domination was the superimposing of a machine building and metallurgical

* The resolution did not allude to other signs of difficulty and unrest, especially in the large Cegielski plant for locomotive and machine building at Poznan (where the riots of June 1956 began) and in other plants. 100/

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industry on an economy which had been predominantly extractive and agricultural. 102/ This had a profound effect on Polish foreign trade, which before the war had been overwhelmingly with countries not now in the Soviet Bloc. Under Soviet domination the trade became sharply redirected to the Soviet Bloc, which in 1953 accounted for 70 percent of Polish foreign trade. 103/ The peak of the Soviet share of Polish foreign trade (37.6 percent) was reached in 1954 and declined to 27 percent in 1956 (the same share which was also taken by the European Satellites).

Poland became especially dependent on the USSR during the post-war period for certain industrial raw materials such as iron ore, manganese ore, petroleum, and others 104/ which continue to be vital to the metallurgical and machinery industries of Poland. Any retardation of deliveries to plants, such as the Nowa Huta Steel Plant, can be most serious. Many industrial plants, moreover, were designed solely or primarily to use raw materials of the quality sent by the USSR. Remodeling would be very costly and time-consuming. 105/

Imports of industrial investment goods from the USSR in 1957 are expected to be less than in the past, partly as a result of the reduced investment program of the Gomulka regime. Poland will export more machinery and transport equipment. The willingness of the USSR to accept this shift in the composition of Polish-Soviet trade and to cover a trade deficit* may reflect a recognition not only of the increasing limitation of the ability of Poland to export industrial raw materials but also of the importance of maintaining high total trade turnover with Poland and thus preserving its economic dependence on the USSR. 107/

Inadequate output of coal, which in past years has accounted for more than half of Polish foreign exchange receipts, currently presents a serious problem for Poland in its trade. Difficulties in the Polish coal industry and increased demand for coal within the country have caused a sharp reduction in coal export. This not only affects the balance of payments of Poland but also impairs coal-consuming industry within the countries of the Soviet Bloc, especially East Germany and Czechoslovakia, which, partly for this reason, were forced to revise their 1957 economic plans. 108/

* The total deficit with the countries of the Soviet Bloc, primarily the USSR and Czechoslovakia, would amount to "a few hundred million rubles." 106/

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Because Poland, in turn, is dependent on these countries for industrial materials and equipment, they have been and are able to retaliate. For example, East Germany allegedly has withheld shipments of air ducts and ventilators necessary for completing the construction of railroad cars in the Zispo plant in Poznan. 109/ In order to increase its coal exports, Poland is seeking to economize in the domestic use of coal, to develop substitute fuels, and to modernize old mines and open new ones.

Both East Germany and Czechoslovakia, however, continue to have a prominent role in Polish foreign trade. According to the 1957 trade agreement, East Germany is Poland's second largest trader (after the USSR) and will deliver to Poland such important products as fertilizers, chemicals, precision instruments, and consumer goods. 110/ Moreover, East Germany has extended to Poland a large credit for the construction of five brown coal mines. 111/

Similarly, Czechoslovakia, which now ranks third in Polish foreign trade, concluded in March a trade agreement under which Czechoslovak industrial machinery, raw materials, and consumer goods will be shipped. In addition, the Czechoslovaks granted a sizable credit to ease the balance of payments difficulty of Poland and to be used for the purchase of machinery and equipment. 112/

The Gomulka regime has been seeking to reduce Polish dependence on Soviet Bloc trade and aid. Perhaps the geographic structure of Polish foreign trade can be gradually altered somewhat. Apart from coal, however, Poland has comparatively little to offer to the more advanced Western countries, in which Polish machinery products are not very salable. 113/ Western economic aid, especially from the US, even though less than requested, may significantly bolster the regime. There is some indication that conservative PZPR leaders and even Soviet economic experts attempted to dissuade the regime from accepting such aid. 114/ In general, however, the Kremlin probably is favorably inclined to limited freedom for Poland to seek raw materials and some aid from the West as a means of preserving the economic and political stability of the Communist regime.

The Gomulka regime, however, has been seeking to broaden its trade base more extensively than the USSR would probably like. Trade with the West, which increased from 30 percent of total Polish foreign trade in 1954 to 40 percent in 1956, may rise somewhat more in 1957. Poland is seeking to lessen its dependence on the Soviet

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Bloc, especially by importing more modern, efficient machinery from the West to rehabilitate its industry and by procuring more wheat and other agricultural products from the West. In order to accomplish this, the Polish government has stepped up its efforts to negotiate credits with Western European and Scandinavian countries as well as with the US. 115/

Although seeking to broaden its trade base and credit negotiations outside the Soviet Bloc, Poland is not neglecting its important economic relationships with other Bloc countries, which involve not only trade but also technical industrial coordination under the aegis of the Council for Mutual Economic Assistance (CEMA). Although it now seems clear that Poland has withdrawn, at least temporarily, from the system of coordinated economic planning which CEMA has attempted to promote, Poland has not withdrawn from CEMA. Polish delegates continue to attend limited and general Bloc coordinating conferences, including a general meeting scheduled for the near future in an unspecified place. 116/ This meeting is to examine, among other matters, prospects for the development of the coal mining industry in Poland and coal exports to CEMA members. At a meeting of the CEMA Coal Commission in Warsaw in early February 1957 the representatives of East Germany, Czechoslovakia, and Bulgaria reportedly attacked the Polish reduction of contractual deliveries, and the Polish delegate replied that Poland could not increase production in 1957. The Soviet spokesman proposed assistance for Poland by CEMA members, which was agreed to in return for an increase in the rate of Polish deliveries. 117/

More specialized meetings in recent months include a coal standardization conference in Stalinograd (Katowice) in late April 1957 118/ and a Polish-Czechoslovak meeting which resulted in a protocol of 29 March providing for increased cooperation with regard to coal and sulfur mining; the foundry, machine, and chemical industries; and agriculture "in accordance with CEMA principles." 119/ This protocol envisaged the creation of a Polish-Czechoslovak economic cooperation committee, which was set up in early May to develop economic collaboration more fully. 120/

Apart from such collaboration, Polish economic management also continues to be somewhat dependent on Soviet advisers and technicians. Directly after the establishment of the Gomulka regime a large number of Soviet advisers and technicians, especially those in prominent positions, left Poland. The extent of their present activity

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in Poland probably is less than before October 1956, but some of them, such as the former director of the Military Department of the State Economic Planning Commission, allegedly have returned to their former types of work in Poland. 121/ A group of Soviet economic specialists reportedly arrived in early May 1957 to prepare articles dealing with the economic problems of Poland. These were to be translated into Polish and published in Polish journals, 122/ presumably to counter or amend views developed by Polish economists in the theoretical discussion about the economic model.

At the industrial level, Soviet counsel is continuing to play an important (if perhaps somewhat reduced) role. At the eleventh session of the Polish-Soviet Commission for Scientific and Technical Cooperation in Moscow in early March it was disclosed that during the preceding 6 months more than 400 Polish specialists studied in the USSR while 120 Soviet experts were in Poland. This interchange is to be augmented in 1957. 123/ In the field of scientific and technological research, Poles are reportedly seeking to reestablish prewar contacts with the West. 124/ These contacts would tend to reduce the dependence of Poland on the USSR in this area.

Finally, another factor tempering any tendency of Gomulka and his colleagues to move toward greater independence of the USSR is their concern for the maintenance of the Oder-Neisse line established after World War II. Shortly after his accession, Gomulka reportedly told some journalists in a private meeting that the main problem in Polish foreign relations was "the German danger," which seemed to be almost an obsession with him. 125/ This danger justified, for him, the continued stationing of Soviet troops in Poland -- a situation unpopular among so many Poles. The Western Territories,* gained from Germany, constitute almost one-third of Poland and more than one-fourth of its population and agricultural and industrial output, including the major acquisition of coal deposits. Much of the area is more highly urbanized and industrialized than even the western part of prewar Poland. Although the cities and factories here had been seriously damaged during the war, their reconstruction was more feasible than the building of new facilities. 127/ This region provides Poland with wider access to the sea, moreover, and with a developed transportation and communications system.

* Shortly after the war these territories were termed the Recovered Territories because they had belonged to Poland in the Middle Ages and because parts of them had been under Poland up to the first partition of Poland in 1772. More recently they have been called the Western Territories or Provinces. 126/

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